



AMERICANS FOR TAX REFORM

M E M O R A N D U M

To: All members of House of Representatives
From: Grover G. Norquist, Americans for Tax Reform
Date: 06/15/04
Re: Invest in USA Act

This week the House of Representatives will consider H.R. 4520, the American Jobs Creation Act of 2004. Included in this bill is an extremely important provision, often termed the “Invest in USA Act” that will help economic growth, employment, and investment in America.

This bill is the most historic tax revision that Congress could provide to promote economic growth and strengthen the U.S. economy. Based on the independent analysis conducted by multiple investment firms, it is the belief of Americans for Tax Reform (ATR) that the provision could be the economic equivalent of cutting the capital gains tax 20 times. I encourage you to review the following details and benefits of the “Invest in USA” provision included as part of H.R. 4520.

While members may have reservations of some provisions of H.R. 4520, ATR believes the benefits that will arise from the “Invest in USA Act” will supersede the costs and that this provision is absolutely essential to the continued economic growth.

Below is an overview of the provision and a state by state breakdown of the economic impact. Should you have any question, feel free to contact me.

Overview

Currently, US subsidiaries operating in foreign countries must pay taxes to the host country on their profits and if the company decides to bring the profits back into America, the company must pay the difference of the foreign tax and the U.S. 35 percent rate. This completely encourages American companies to invest in foreign countries and not invest in America. The Invest in USA Act, however, allows companies to reinvest their foreign profits back into America at a 5.25 percent rate. Many companies will use this one-time provision to repatriate their profits back into America, which bolsters new investment in America. Since a tax is still paid on the repatriation and the money flowing back into America would not occur otherwise, the static budget estimate is miniscule and the dynamic analysis shows an increase of tax revenue.

Independent analysis suggest this measure will generate \$400 billion of new investment in America's economy in 2004, create roughly 500,000 new jobs, boost stock prices by 4.5 percent and add more than 1 percent to Gross Domestic Product (GDP). This additional economic growth occurs with minimal cost to the US Treasury/federal deficit and a recent analysis by Decision Economics found the measure will increase revenues by \$35 billion over two years.

Below is a state by state breakdown which documents the benefit of the legislation to each state's economic growth, employment, and investment.

Average Impact of HIA / USA Act, by state, per year, 2004 – 2008¹

State	GDP (millions)	Plants (millions)	Equipment (millions)	Employment (non-farm)
Total US	\$129,000	\$4,800	\$41,200	\$25,900
Alabama	1,868	94.2	494.3	281.7
Alaska	293	12.9	108.1	1.2
Arizona	2,243	111.9	678.2	192.6
Arkansas	1,136	51.9	281.1	164.9
California	14,334	588.4	5,560.30	3,129.30
Colorado	2,162	133.7	703	366.2
Connecticut	1,651	54.4	675.1	321.3
Delaware	409	13.4	157.7	142.1
Washington, D.C.	657	7	247.5	6.3
Florida	7,134	214.8	1,970.20	524.9
Georgia	3,867	167.6	1,208.60	659.4
Hawaii	550	16.7	171.4	2.5
Idaho	562	25.7	162.5	102
Illinois	5,836	200.4	1,949.50	1,307.70
Indiana	2,863	92.6	786.3	722.2
Iowa	1,433	46.3	383.8	324.3
Kansas	1,324	46.8	356	295.3
Kentucky	1,768	60.1	485.7	606.3
Louisiana	1,881	67	552.9	142.1
Maine	600	14.3	150.1	34.2
Maryland	2,448	107.6	773.4	246.6
Massachusetts	3,217	92.3	1,172.60	782.3
Michigan	4,432	164.6	1,312.70	4,015.40
Minnesota	2,624	94.4	773.9	683.9
Mississippi	1,116	44.4	271.5	146.4
Missouri	2,655	106.1	738.6	651.7
Montana	392	11.4	91.4	24.2
Nebraska	897	24.7	236.4	136.7
Nevada	1,039	62.8	306.9	32.9
New Hampshire	612	20.6	199.8	129.7
New Jersey	3,954	111.6	1,469.00	459.6
New Mexico	758	28.2	242.4	43.8
New York	8,357	189.3	3,382.50	1,034.70
North Carolina	3,805	181.1	1,086.80	709.1

¹ PricewaterhouseCoopers – Macroeconomic Impact of Dividend Repatriation Provision (Sec. 231) of Jumpstart Our Business Strength (JOBS) Act of 2003: Estimates for Every State and the District of Columbia – December 11, 2003

North Dakota	326	10	78.4	53.1
Ohio	5,392	169.5	1,541.50	1,660.90
Oklahoma	1,467	48.8	379.3	310.2
Oregon	1,557	71	550.9	338.2
Pennsylvania	5,596	177.4	1,652.60	850.5
Rhode Island	474	17.6	147.6	56.3
South Carolina	1,791	80.4	469.9	289.3
South Dakota	374	11	102.2	86.1
Tennessee	2,640	121.9	743.2	656.1
Texas	9,334	399	3,082.50	1,289.90
Utah	1,062	63.9	282.1	123.8
Vermont	297	14.7	79.6	34
Virginia	3,460	113.7	1,065.90	367.6
Washington	2,631	134	893.5	595
West Virginia	726	13.7	172.2	28.3
Wisconsin	2,751	85.3	738.3	731.1
Wyoming	245	9.1	80.6	6.3